

In the Name of God, the Most Merciful, the Most Kind



April 16, 2016

The Government Must Convene Loya Jirga

US Secretary of State John Kerry's comments last week in Kabul were expected to end the controversy raised by some opposition groups over the legal tenure of the National Unity Government (NUG). NUG leaders welcomed John Kerry's comments who said the NUG was elected for five years and the expiry of the agreement that led to formation of the current government was not meant as the end of the national unity government of Afghanistan. John Kerry's clarification came at a time when there are increasing calls on the government to convene the constitutional Loya Jirga. Some even suggested that the end of the deadline for holding the assembly within the agreed time was effectively putting an end to the legitimacy of the NUG. They argued that the government was incompetent and incredible as it failed to hold the Loya Jirga within the timeframe envisaged.

Despite the clarification by the US Secretary of State, the controversy over implementation of the agreement by the NUG is far away and there are no signs to hold the constitutional Loya Jirga in the coming months. Apparent lack of commitment and action over implementation of the post-elections agreement has angered not only those opposition who argue the end of second working year of the NUG as end of the current administration but also the rest of the political spectrum in the country who are worried over political developments and the deteriorating political and security situation. Kerry's apparent indifference to responsibilities of the NUG leaders for implementation of the agreement and the failure to do it within the agreed timeframe simply added to the angers and seems to be provoking further protests.

A growing number of politicians criticizing the NUG leaders' failure to implement the agreement and convene the Loya Jirga for considering the recommended changes in the country's political system. Most recently, former president Hamid Karzai and former US ambassador to Afghanistan, Zalmi Khalilzad, reacted to the ongoing controversy and renewed calls on the government to hold the constitutional Loya Jirga. Karzai accused the United States of violating Afghanistan's sovereignty. Karzai stressed that he has read the post-presidential election agreement, and it says the constitutional Loya Jirga must be convened within first two years of the national unity government being in power. Khalilzad also suggested that given the controversy over the tenure of current administration, the Jirga could be held in near future.

The current situation and the widespread political discontent was foreseeable long ago as the government was virtually crippled by the inside rivalries between the stakeholders. The leaders have been struggling from the very beginning to form an efficient administration. However, the NUG failed to settle the power-sharing business as quickly as possible and get to the job to run the country that was already in a chaotic situation due to ongoing war and the declining economy. The infighting within the government deepened political discontents in the political community over the performance of the government and the deteriorating situation in the country. On the other hand, some election-time supporters of the two election camps who had failed to receive government posts after the elections also separated ways and joined camp of the opposition. These figures even went far beyond being opposition in criticizing the government.

The ongoing stalemate over implementation of the post-presidential election agreement and convening of the Loya Jirga is going to further deepen if the NUG leaders fail to take immediate actions for resolving the political deadlock. Afghan government will not be able to afford further intensification of the situation and the political angers and discontents over the implementation of the agreement and the agreed changes to the country's political system. The recent comments of the US Secretary of State aimed at easing the growing discontents seem to have compounded the situation and do not seem to decrease the calls for implementation of the agreement.

Kerry's comments in Kabul has come particularly irritating for many in Afghanistan's political community for Kerry's silence over implementation of the agreement and commitments of the leaders of the unity government. The current government is product of the agreement that was brokered by the US Secretary of State. Based on the agreement, the Afghan political community expected changes to the current political system of Afghanistan and creation of post of prime minister. However, Kerry's silence over responsibility of the NUG leaders is not going to help to resolve the challenge but is simply prolonging the infighting the current political challenges.

President Ghani and CEO Abdullah need to plan convening of Loya Jirga to consider the changes in the country's political system. If the NUG leaders fail to agree on convening the Jirga, it would further deepen the internal differences within the government. Both Ghani and Abdullah need to make the difficult but crucial concessions to reach a consensus for convention of the Jirga and implementation of the agreement.



Struggle to Empower Women

By Mohd. Mehdi Rezaie

Women rights" is the new catchphrase in the post-Taliban Afghanistan. Improving the conditions and social standing of women in today's Afghanistan has found pious champions in both the Afghan government and outside in the fledgling Afghan civil society. Numerous institutions have been set up tasked with protecting and reclaiming the infringed rights of Afghan women. The current upsurge in the zeal to uphold the rights of women and the efforts to define a new place for women in various aspects of Afghan life are essentially a new wave of "feminism" in Afghanistan.

Feminism can be defined as sets of diverse social movements with a reciprocal purpose of improving the overall conditions of women in various aspects of female life, namely in the spheres of family, society, economy, politics and polity, culture and workplace. In the west, feminism has a long history and tradition, stretching as far back as 15th century to the ideas and writings of various thinkers in Europe of Middle Ages. Along with the European reincarnation that ushered in the western civilization, there were early thinkers who took up the cause of improving the lot of deprived European women. This Middle Ages feminist thought was subtle and sporadic, deprived of any social and institutional organization and therefore many believe it cannot be called feminism in its modern sense. Nonetheless, those Renaissance thinkers' contribution to the history of what we today call feminism has been significant. The modern feminist movement, starting in 19th century, went through transformations and overhauls throughout the 19th and 20th centuries. The early feminist demands were essentially equality in property rights and granting women the right to vote or suffrage. The new feminism of 1970s and 80s in the west, however, had larger and more ambitious demands: liberation of women from bodily exploitation; freedom in sexuality and choice; equality at workplace and home; taking away sexism from popular culture; end to violence against women and revitalizing the feminist ideals and streams of thought.

In Afghanistan, there has not been an organized and coherent feminist movement until the post-Taliban years in which we are now. It is only in the recent years in which we witness the formation and advancement of a feminist movement spearheaded by enlightened Afghan women and supported by the international community. The earlier attempts at improving the condition of women, more fair treatment of them and trying to emancipate them from the bonds of tradition wrongly understood as religion were gross failures. The 1964 constitution introduced by Zahir Shah for the first time women granted suffrage or the right to vote to women of 22 years of age and above and allowed them liberty in pursuing education and work outside the confines of

home. This progressive transition continued in Kabul and major cities and Afghanistan's experiment with gradual education and liberation of women came to deliver promising dividends. Afghanistan's march towards educating and emancipating its women, although limited in scope and reaching mainly the urban elites, was brought to a halt with the Saur revolution in 1978 and the ensuing instability that engulfed the country.

The demands and aims of Afghanistan's new wave of feminism in the post-Taliban era are a combination of what the first and second waves of western feminism of 19th and 20th century endeavored to accomplish. The cornerstone of Afghan women's struggle has been reforming the strictly patriarchal inter-gender relations in a still deeply conservative society and untying many bonds of tradition which, through centuries, have been wrongly understood as religion. Looking at the theoretical foundations of Afghan feminism, we see that, much like its counterparts in other Muslim societies, Afghan feminism does not strictly follow in the footsteps of western feminism. Afghan feminism, although adopting and using many useful insights, concepts and experiences from western feminism, is predicated within a framework that has roots in Afghan society's Islamic and oriental tradition. Western feminism stresses a religion-free liberation of women; it regards the woman as an individual and emphasizes the self as opposed to the wider units of family and society. Western feminism places self-gratification of woman ahead of service to society and community. Afghan vision of feminism, on the other hand and much like other feminist movements in other Muslim countries, strives to challenge the ways in which religious authorities interpret religion and the holy texts to subdue and subjugate women. It struggles to define a new and honorable place for the woman and the girl child or the girl bride.

Afghanistan's new experience with feminism is a two-pronged phenomenon. The Afghan State assisted and encouraged by the international community, has given new rights and freedoms to Afghan women, enshrined in the Afghan constitution and the government policies. The Afghan State declares that it is committed to continuing with the trend and wishes to further institutionalize and strengthen the granted rights and freedoms. On the other end of the spectrum, new breed of Afghan feminists continue to press ahead with their demands and are working to raise awareness among the masses of Afghan women and mobilize them through their empowerment.

Economic empowerment and emancipation is a prerequisite for gender liberation. As the urban middle class in Afghanistan expands and more and more families afford to provide education for their daughters, there will be no doubt that this feminist movement would gain traction.

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What's Wrong with Negative Rates?

By Joseph E. Stiglitz

I wrote at the beginning of January that economic conditions this year were set to be as weak as in 2015, which was the worst year since the global financial crisis erupted in 2008. And, as has happened repeatedly over the last decade, a few months into the year, others' more optimistic forecasts are being revised downward.

The underlying problem - which has plagued the global economy since the crisis, but has worsened slightly - is lack of global aggregate demand. Now, in response, the European Central Bank (ECB) has stepped up its stimulus, joining the Bank of Japan and a couple of other central banks in showing that the "zero lower bound" - the inability of interest rates to become negative - is a boundary only in the imagination of conventional economists.

And yet, in none of the economies attempting the unorthodox experiment of negative interest rates has there been a return to growth and full employment. In some cases, the outcome has been unexpected: Some lending rates have actually increased.

It should have been apparent that most central banks' pre-crisis models - both the formal models and the mental models that guide policymakers' thinking - were badly wrong. None predicted the crisis; and in very few of these economies has a semblance of full employment been restored. The ECB famously raised interest rates twice in 2011, just as the euro crisis was worsening and unemployment was increasing to double-digit levels, bringing deflation ever closer.

They continued to use the old discredited models, perhaps slightly modified. In these models, the interest rate is the key policy tool, to be dialed up and down to ensure good economic performance. If a positive interest rate doesn't suffice, then a negative interest rate should do the trick.

It hasn't. In many economies - including Europe and the United States - real (inflation-adjusted) interest rates have been negative, sometimes as much as -2%. And yet, as real interest rates have fallen, business investment has stagnated. According to the OECD, the percentage of GDP invested in a category that is mostly plant and equipment has fallen in both Europe and the US in recent years. (In the US, it fell from 8.4% in 2000 to 6.8% in 2014; in the EU, it fell from 7.5% to 5.7% over the same period.) Other data provide a similar picture.

Clearly, the idea that large corporations precisely calculate the interest rate at which they are willing to undertake investment - and that they would be willing to undertake a large number of projects if only interest rates were lowered by another 25 basis points - is absurd. More realistically, large corporations are sitting on hundreds of billions of dollars - indeed, trillions if aggregated across the advanced economies - because they already have too much capacity. Why build more simply because the interest rate has moved down a little? The small and medium-size enterprises (SMEs) that are willing to borrow couldn't get access to credit before the ECB went negative, and they can't now.

Simply put, most firms - and especially SMEs - can't borrow easily at

the T-bill rate. They don't borrow on capital markets. They borrow from banks. And there is a large difference (spread) between the interest rates the banks set and the T-bill rate. Moreover, banks ration. They may refuse to lend to some firms. In other cases, they demand collateral (often real estate).

It may come as a shock to non-economists, but banks play no role in the standard economic model that monetary policymakers have used for the last couple of decades. Of course, if there were no banks, there would be no central banks, either; but cognitive dissonance has seldom shaken central bankers' confidence in their models.

The fact is that the eurozone's structure and the ECB's policies have ensured that banks in the underperforming countries, and especially in the crisis countries, are very weak. Deposits have left, and the austerity policies demanded by Germany are prolonging the aggregate-demand shortfall and sustaining high unemployment. In these circumstances, lending is risky, and banks have neither the appetite nor ability to lend, particularly to SMEs (which typically generate the highest number of jobs).

A decrease in the real interest rate - that on government bonds - to -3% or even -4% will make little or no difference. Negative interest rates hurt banks' balance sheets, with the "wealth effect" on banks overwhelming the small increase in incentives to lend. Unless policymakers are careful, lending rates could increase and credit availability decline.

There are three further problems. First, low interest rates encourage firms to invest in more capital-intensive technologies, resulting in demand for labor falling in the longer term, even as unemployment declines in the short term. Second, older people who depend on interest income, hurt further, cut their consumption more deeply than those who benefit - rich owners of equity - increase theirs, undermining aggregate demand today. Third, the perhaps irrational but widely documented search for yield implies that many investors will shift their portfolios toward riskier assets, exposing the economy to greater financial instability. What central banks should be doing is focusing on the flow of credit, which means restoring and maintaining local banks' ability and willingness to lend to SMEs. Instead, throughout the world, central banks have focused on the systemically significant banks, the financial institutions whose excessive risk taking and abusive practices caused the 2008 crisis. But a large number of small banks in the aggregate are systemically significant - especially if one is concerned about restoring investment, employment, and growth.

The big lesson from all of this is captured by the familiar adage, "garbage in, garbage out." If central banks continue to use the wrong models, they will continue to do the wrong thing.

Of course, even in the best of circumstances, monetary policy's ability to restore a slumping economy to full employment may be limited. But relying on the wrong model prevents central bankers from contributing what they can - and may even make a bad situation worse. (Courtesy Project Syndicate)

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